

Exhibit 7

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COMMODITY FUTURES TRADING COMMISSION

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IN THE MATTER OF:

RETAIL FOREX FRAUD

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140 Broadway
New York, New York

April 7, 2016
9:44 a.m.

DEPOSITION of JOHN DITTAMI, the witness
herein, taken by the Commodity Futures Trading
Commission, pursuant to Agreement, held at the
above-noted time and place, before a Notary Public
of the State of New York.

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1 John Dittami

2 execution, the ultimate goal was to do trading
3 that was to be both institutional -- up against
4 institutional counterparts and retail counterparts
5 to build distribution services, to build an entire
6 institution for foreign exchange business.

7 Q How long did you stay at FXCM?

8 A We separated I believe March 23rd
9 when I formed Effex Capital.

10 Q When did you leave?

11 A FXCM said that I was not allowed --
12 that I wouldn't be able to trade and be owned by
13 FXCM, so we had to separate. FXCM said I couldn't
14 trade there for regulatory reasons, they said --
15 and they said you have to separate into your own
16 entity, you cannot trade and be part of FXCM.

17 Q Who told you that you couldn't be
18 part of FXCM?

19 A It's a long time ago, it was
20 probably William, it's probably William but it's a
21 long time, William Ahdout, that's probably but
22 it's a long time ago.

23 Q What did William Ahdout tell you?

24 A I'm sorry, probably also Ken
25 Grossman.

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1 John Dittami
2 consume at -- the consumer, I'm providing
3 liquidity. Market taking is I am the consumer as
4 opposed to the liquidity provider.

5 MR. DALY: Thank you.

6 BY MR. ROMEU-MATTA:

7 Q Does Effex Capital have a business
8 model?

9 A We have a business model market
10 making and it's nothing formal but we -- yes.

11 Q That's what you've already described
12 as market making and market taking?

13 A Market making, yeah.

14 Q What entities does Effex Capital
15 currently provide liquidity for?

16 A FXCM, EDS, Hot Spot, Currenex,
17 Reuters, R-e-u-t-e-r-s, Fast Match which is an
18 FXCM entity, Fast Match, I'm sure there are
19 others, I didn't get a list.

20 Q What financial institutions,
21 exchanges or --

22 A Within those there are end customers
23 within these distribution accounts.

24 Q What financial institutions,
25 exchanges or ECMs does Effex Capital currently

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1 John Dittami

2 trade with?

3 A Of the ones I just mentioned Hot
4 Spot and ECN, actually FXL we trade with as well,
5 EBS is an ECN, Interbank, Reuters is an ECN,
6 Interbank, FXCM is an ECN, Fast Match is also an
7 ECN. Off the top of my head those are the ones I
8 can recall. We've traded with 150 banks over the
9 years so it's hard to remember.

10 Q What percentage of profits is
11 derived from each of the entities Effex Capital
12 provides liquidity for?

13 A What percentage --

14 Q What percentage of profits is
15 derived from each one of the entities Effex
16 Capital provides liquidity for, if you know?

17 A It's extremely rough to drive but I
18 will say the majority is derived from FXCM-related
19 ventures.

20 Q How many FXCM related ventures are
21 there?

22 A I'll try to count, five.

23 Q Could you tell me what they are?

24 A Sure. We provided liquidity to the
25 Japanese, FXCM Japan, we provided liquidity to a

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1 John Dittami

2 to make money but it's a belief system, so it's a
3 combination of people don't want to lose their
4 jobs, people don't want to change, people are
5 hesitant to work with a small non-bank and take
6 pressure from the other banks, constantly take
7 pressure.

8 Q The fact that you Effex Capital was
9 a non-bank was not an issue for FXCM?

10 A No, and I think that's because I had
11 started before the transition in an employee
12 relationship, I think if I had not started in that
13 relationship it probably would have been an issue
14 for them.

15 Q How did starting in a relationship
16 with FXCM help them -- convince them that they
17 could deal with a non-bank?

18 A I think they figured out I was the
19 real deal, I don't think they even thought that I
20 would be able to make money on this. It's very
21 uncommon, not a lot of people -- a very small
22 amount of people succeed in trading ventures but
23 those that do succeed in an outsized way.

24 Q When Effex Capital was first
25 organized what entities did it provide liquidity

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2 for?

3 A When it was first organized it only
4 provided liquidity to FXCM.

5 Q For how long?

6 A Until we added Interbank. EBS, we
7 were the designated market maker for the smallest
8 contracts for the largest Interbank in the world,
9 that's EBS.

10 Q When did that take place?

11 A 2010. I'm not going to get the date
12 right but we were out trying to sell everyone as
13 quick as possible. Gain Capital they wouldn't
14 take it. EBS I think was the first and then
15 Reuter's was the second, that was in 2010, both of
16 those, then we were out hitting the street. I
17 can't remember when we started pricing Alpari. We
18 were very quickly on boarding.

19 Q So it changed over time?

20 A It changed over time, yeah.

21 Q How did it change over time?

22 A We've had, like I said, 170
23 different connections over this these years.

24 Q When you say connections what do you
25 mean?

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2 A Streams, you know, to different
3 ECNs, to end customers through an ECN, to big
4 brokers, Alpari, Saxal Bank. Every competitor of
5 FXCM we tried to sell our liquidity to.

6 Q When Effex Capital was first
7 organized what percentage of profits from derived
8 from market making at FXCM?

9 A A hundred percent on the first day.

10 Q For how long?

11 A Until we started trading EBS and
12 Reuters, so sometime in -- a few months later,
13 roughly in 2010, as soon as we started getting
14 that trading going out of the ECNs. It would have
15 been after July, it must have been 2010.

16 Q Did the percentage of profits that
17 Effex Capital derived from market making at FXCM
18 change over time?

19 A Yes, it fell. It fell for a long
20 time until this year and then this year it rose
21 because I changed my business model, I starting
22 closing off a lot of streams to have less streams,
23 started focusing on trading my props. It fell for
24 a long, long, long time, just kept falling.

25 Q When it was first organized who had

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1 John Dittami

2 you losing that 15 percent change the math you and
3 I were previously discussing?

4 A So in the example I provided to you,
5 let me make the numbers 85 percent, so if that
6 Japanese broker held 85 percent up to that -- did
7 I say two yards, I can't remember the number I
8 used, it will still look nothing like the end
9 customers performance, it will still not -- 85
10 percent will still dramatically change the
11 performance, dramatically change.

12 In fact, something probably more
13 like roughly one to five percent will completely
14 change the dynamic of that whole issue, one to
15 five. It's a very small amount of flow in a very
16 precise times generates the lions share of
17 customer losses, would generate the lions share of
18 what I guess in your question would have been the
19 opposite profit. Very small share, very unique,
20 very tiny. Brokers don't understand that.

21 Q I guess it's where I think you and I
22 are missing each other. So there would not be a
23 one to one correlation between customer losses and
24 profits once you don't have the complete market
25 but you're -- if all you were trading was against

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1 John Dittami
2 the customers, your profit and loss would be
3 generated from -- to or from the customer, if you
4 weren't trading with anyone else out there other
5 than the customer, correct?

6 A There's not a close correlation.
7 For example, you know, we generically generated
8 trading revenue each and every week. We've, I
9 don't know, roughly been between 30 percent to 55
10 percent in this region percentage, our performance
11 looks absolutely -- I don't know exactly what
12 customers make or lose every week, I'm going to
13 guess that there are weeks they lose and weeks
14 they make and days they lose and days they make.

15 Ours is nothing like that, customers
16 lose money, we make money, customers make money,
17 we generally make money, and we're at 35 or 40,
18 it's like zero correlation. When does that
19 correlation become -- when does that change, 95,
20 99 percent, so what I'm trying to articulate is
21 that even small interventions, meaning I didn't
22 take -- there's not a hundred percent of the deals
23 exactly mirrored or meaning that there was any
24 hedging done even in extreme situations, even very
25 small modifications completely change the

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2 that isn't their business.

3 Q Does Exhibit 22 refresh your
4 recollection that you continued to use FXCM's
5 instant messenger service until at least August
6 31, 2011?

7 A Yes, that sounds --

8 Q Do you know to what date Effex
9 Capital employees continued to use FXCM's instant
10 messenger?

11 A I don't know to what date they
12 continued to.

13 Q Do you know what year?

14 A I don't know what year. I believe
15 it would have been past 2011 though. I believe it
16 would have been 2012 but I don't know what year.

17 Q When Effex Capital was formed how
18 was it capitalized?

19 A How was it capitalized. Well, with
20 my personal funds, John Dittami personal funds,
21 the only owner, et cetera there. The trading
22 margin which is not Effex Capital, the trading --
23 getting a line to do trading was through that
24 Effex prime account, that's my line to do trading
25 but that's not my capital.

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2 Q How much was that line?

3 A That was the \$2 million and, again,
4 I don't know if it's an accounting entry or real
5 entry, I don't understand in the FXCM systems but
6 the funds to run the business are my personal
7 funds.

8 Q When it started operations did Effex
9 Capital have it's own prime brokerage account?

10 A When it started business it had a
11 prime brokerage account that was a prime FXCM
12 prime and instantly we started setting up the
13 instant process and going through the negotiations
14 with Citi by mid or July, I'm estimating roughly
15 in July we had our own prime brokerage account
16 with Citi. Before that we had a prime brokerage
17 of prime account through FXCM and then we went to
18 a -- finished our credit review, finished all of
19 our paperwork with Citi and had a full on, full
20 fledged tier one prime by July 2010. We no longer
21 needed a prime of prime brokerage middleman.

22 (E-mail dated 7/26/10 marked Exhibit
23 23 for identification.)

24 Q Let me show you what I've marked as
25 Exhibit No. 23. It's an e-mail dated July 26,